

**Final Progress Report**  
July 27, 2004 Meeting

On Tuesday, July 27, 2004, the Rates Working Group (RWG) met at the AmerenCIPS Building, 607 East Adams, Springfield, Illinois, pursuant to notice posted on the ICC's Web site and distributed to participants through the RWG e-mail list. An audio conference link was made available to Chicago participants at the offices of Constellation NewEnergy, 309 W. Washington Street, Chicago, Illinois. The meeting Agenda and proposed Progress Reports to be discussed were distributed and posted prior to the meeting.

Participants were reminded of the applicability of the Illinois Commerce Commission's traditional policy barring the subsequent use of non-consensus "[p]ositions taken, and documents and papers provided by the stakeholders in the Post 2006 Initiative Process ... in any subsequent litigation, including administrative proceedings before the Illinois Commerce Commission, the Federal Energy Regulatory Commission, and other federal, state, or local governmental authorities." In addition, parties were reminded of the importance of strict compliance with all anti-trust laws and referred again to the Anti-Trust Guidelines for the Post 2006 Initiative prepared under the supervision of the ICC General Counsel, copies of which were available at the meeting.

The Progress Reports for the June 29 and July 13, 2004 meetings were discussed. Clarifications and revisions were made, and the June 29 and July 13 Reports were approved, subject to being revised as discussed. The Convenor will prepare and submit the Final Progress Reports for these meetings without further approval. The parties were also updated on the schedule for future RWG meetings.

The RWG discussed consensus items with respect to the first portion of the Demand Response, Efficiency, and Renewable Issues identified below. The RWG will discuss the balance of these issues at its next meeting, on August 3, 2004.

**Consensus Items re Demand Response, Efficiency, Renewables Issues**

The RWG discussed the meaning of "Demand Response, Efficiency, and Renewables Issues," and identified several facets of each topic area. The RWG observed that: (a) demand response generally refers to the degree to which customer demand and usage (kW and kWh) responds and reacts to price and other signals, both under normal and emergency conditions; (b) efficiency generally refers to the efficient, economic, effective, and non-wasteful use of electricity by customers, the efficient use of generation resources in producing that electricity, and the efficient use of the transmission and distribution systems of utilities in delivering it, and (c) renewables generally refers to generating resources understood to use renewable sources of basic energy input. For reference, the Energy Information Administration ("EIA") website defines renewable resources as "naturally replenishing but flow-limited. They are virtually inexhaustible in duration but limited in the amount of energy that is available per unit of time." The EIA identifies examples of such resources as including, without limitation: biomass, hydro, geothermal, solar, wind, ocean thermal, wave action, and tidal action.

## **A. Rates and services**

### **1. Demand response, efficiency, and rate design**

*54B) ... What kind of rate structures support efficiency? Time of Use rates for business and residential customer classes? Amending of declining block rate structures so that the first block of kWhs on a customer bill are the cheapest kWhs, and the additional kWhs are more expensive?*

The RWG achieved consensus that, assuming that benefits exceed possible transaction and implementation costs, the efficient use of the commodity and, in general, of generating and delivery resources as a whole is supported by the availability of rates for businesses and residential customers that reflect hourly real-time prices, ideally locationally. The RWG did not reach consensus as to whether hourly pricing rates must be offered by utilities to residential customers. The RWG did reach consensus that, if such rates are offered to residential customers or to non-residential customers prior to a declaration of competitiveness for such customers or the abandonment of other rates to such customers, they should be offered to such customers as optional rates, with the following caveats. There was no consensus as to whether hourly pricing rates should be optional for customers for whom hourly pricing rates are not currently optional under existing tariff, law, or regulation or for nonresidential customers that require standby or interim supply service. The RWG also did not reach consensus as to whether such rates should also be optional for non-residential customers after a declaration of competitiveness or the abandonment of other rates.

The RWG reached consensus that properly-designed interruptible, curtailable, and direct load control programs can promote efficiency of use by customers and can aid in optimizing the generation and delivery systems. The RWG reached further consensus that, depending upon the generating portfolio and the procurement Scenario used, and the load characteristics of a utility, rate blocks, whether declining or increasing, can have a material effect on optimizing system efficiency. While there was consensus (as stated above) as to the importance and effect of these programs, the RWG did not reach consensus as to whether utilities, in particular, should be the entities required to or prohibited from offering each such type of service. But, the RWG did reach consensus that utilities should not prohibit or unreasonably impede retail customers from participating in Regional Transmission Organization (“RTO”) programs for which they are otherwise eligible.

*66) Should incentives be put in place to encourage consumers to make their demands more price-responsive? What form might such incentives take?*

The time of use (*e.g.*, on-peak / off-peak) and other pricing structures discussed above in response to Issue 54B should provide sufficient incentive to encourage consumers to make energy demands more price-responsive. The competitive marketplace (Load Serving Entities and Curtailment Service Providers) and RTOs may provide other types of incentives to encourage consumers to make energy demands more price responsive.

## 2. Focused discussion of real time and time of use rates

55) *Should there be an interruptible rate option for transmission and distribution services and/or generation services? How should such a rate be designed?*

The RWG's consensus with respect to interruptible rate options for generation services is reflected in response to Issues 54B and 66. Utilities should be able to implement and utilize voluntary programs to reduce end use customer load to address constraints on the transmission or the utility's distribution systems. The RWG does not intend these programs to prejudice customer participation in RTO programs for which they are otherwise eligible.

58) *Should existing real-time tariffs be modified to encourage customer interest in such tariffs? If so, what modifications are necessary?*

The RWG reached consensus that existing non-residential Real-Time Pricing tariffs should, if necessary, be modified effective after the end of the Mandatory Transition Period ("MTP") to reflect the cost of service, no later than as part of the utility's first general rate case proposing rates to be effective after the end of the MTP. The RWG reached consensus that Real-Time Pricing rates may also otherwise be modified to implement improvements, but did not reach consensus that modifications are required.

63) *Which types of time-based rates, ranging from TOU to Critical Peak Pricing to Day Ahead Real Time, are appropriate for which customer classes? What has customer acceptance of such been in Illinois and other states to date?*

See responses to Issues 54 and 55.

64A) *To what extent is existing infrastructure a barrier to wider deployment of time-based rates? How can electricity providers be provided with cost recovery assurances and incentives that will lead to the necessary infrastructure being put in place?*

The absence of the installation of interval meters at many customer locations is not conducive to wider deployment of at least hourly time-based rates. However, the cost of eliminating this impediment for all customers, including with respect to the meters themselves as well as addressing data processing, billing, and customer care issues, would have to be addressed. But, the RWG was not in a position to evaluate the net benefits of specific installations during this process.

**3.** New rates or services

*54A) What new rates or services, if any, should utilities offer (e.g., green power options)?*

The RWG did not reach consensus as to whether utilities should be required to offer any new service, and did not reach consensus as to whether utilities should be permitted to offer new commodity services.